COPY

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH-GAS") FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR GAS UTILITY SERVICE; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE THERETO; (3) AUTHORITY, TO THE EXTENT NECESSARY AS AN ALTERNATIVE REGULATORY PLAN, TO RECOVER ITS UNACCOUNTED FOR GAS COSTS AND THE GAS COST COMPONENT OF ITS BAD DEBT EXPENSE IN ITS GAS COST ADJUSTMENT FILINGS; (4) APPROVAL OF A DISTRIBUTION REPLACEMENT ADJUSTMENT TO RECOVER THE COSTS OF A PROGRAM FOR THE ACCELERATED REPLACEMENT OF CAST IRON MAINS AND BARE STEEL MAINS AND SERVICE LINES; (5) APPROVAL OF THE IMPLEMENTATION OF THE SALES RECONCILIATION COMPONENT OF THE ENERGY EFFICIENCY RIDER PROPOSED IN CAUSE NOS. 42943 AND 43046 OR OTHER RATE DESIGN CHANGES THAT UNLINK ITS FIXED COST RECOVERY FROM ITS SALES VOLUME; (6) APPROVAL AS AN ALTERNATIVE REGULATORY PLAN PURSUANT TO IND. CODE § 8-1-2.5-6 OF A RETURN ON EQUITY TEST TO BE USED IN LIEU OF THE STATUTORY NET OPERATING INCOME TEST IN ITS GAS COST ADJUSTMENT PROCEEDINGS; (7) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F) FOR A NON-GAS COST REVENUE TEST TO DETERMINE WHEN DEPOSITS ARE REQUIRED FOR FACILITIES EXTENSIONS; AND (8) APPROVAL OF VARIOUS CHANGES TO ITS TARIFF FOR GAS SERVICE, INCLUDING INCREASES IN CERTAIN NON-RECURRING CHARGES.	)	FILED MAR 15 2007 INDIANA UTILITY REGULATORY COMMISSION CAUSE NO. 43112

STIPULATION AND SETTLEMENT

The Indiana Office of Utility Consumer Counselor ("OUCC"), Intervenor AK Steel, Inc. ("AK"), and Vectren Energy Delivery of Indiana, Inc., a/k/a Southern Indiana Gas and Electric Company, Inc. ("Company" or "Vectren South") (collectively, the "parties"), in the interest of efficiency and in order to consider a number of policy issues raised in the Company's testimony, have devoted significant time to the review of data and discussion of issues, have succeeded in reaching agreement on all issues in this proceeding and therefore stipulate and agree to the terms and conditions set forth below.

In this proceeding, this Stipulation follows the initial hearing on Vectren South's Case-In-Chief, the OUCC's and AK's filing of testimony in response to the Company's case, and the Company's filing of rebuttal testimony. Those filings framed the discussions between the parties, and formed the basis for the parties' agreement on the terms reflected in the Stipulation. As set forth in Appendices A, B and C, the parties have negotiated terms that resolve all issues related to the revenue requirement and rate design. Specifically, as to pro forma adjustments to the test year proposed in this case, with few exceptions the agreed upon adjustments either reflect the testimonial rebuttal position of the Company or the testimonial position of the OUCC, and thus are founded upon documented positions that are in the record in this proceeding. The parties have agreed that the OUCC's and AK's responsive testimonies, and the Company's rebuttal testimony will be submitted into the record in support of this Stipulation.

The terms of the Stipulation are as follows:

1. Rate Increase.

Vectren South shall be authorized to increase its basic rates and charges (collectively "rates") for gas utility service. The rates shall be designed to produce additional annual revenues of $5,334,907 representing an overall revenue increase of approximately 3.4%. These rates reflect allocation of the revenue increase among all rate classes on an approximate across-the-board, gross margin basis (revenue less gas cost). Rates for residential sales service have been determined by increasing the monthly customer facilities charge from $10.75 to $11.00 and allocating the remaining revenue increase to the block rates on an equal per therm basis.

The agreed-upon rate increase reflects the following original cost rate base, cost of capital and financial results (See Appendices A & B) which the parties agree are reasonable for purposes of compromise and settlement:

Rate Base as of October 31, 2006

Utility Plant in Service	$195,820,638
Less: Accumulated Depreciation	82,745,039
Net Utility Plant	113,075,599
Materials and Supplies	1,046,526
Gas in Underground Storage	7,546,757
	$121,668,882

Capital Structure as of March 31, 2006

	Amount	Weight	Cost	Weighted Cost
Common Equity	$549,805,000	47.05%	10.15%	4.78%
Long Term Debt	451,347,000	38.65%	6.04%	2.33%
Customer Deposits	5,601,000	0.48%	5.39%	0.03%
Cost Free Capital	152,477,000	13.06%	0.00%	0.00%
Post 1970 JDITC	8,920,000	0.76%	8.30%	0.06%
	$1,167,853,000	100.00%		7.20%

Pro Forma Proposed Rates

Revenue	$160,234,558
Gas Cost	117,558,782
Gross Margin	$42,675,776
O&M	$20,992,861
Depreciation	5,544,105
Income Taxes	4,246,740
Other Taxes	3,131,910
Total Operating Expense	$33,915,616
Net Operating Income	$8,760,160

Authorized Return. Effective upon implementation of the rates, which shall be set forth in a revised Vectren South Tariff for Gas Service, I.U.R.C. No. G-11, ("Tariff") described hereafter and submitted with the testimony filed in support of the Settlement, Company's authorized return for purposes of the earnings test component of the gas cost adjustment (Ind. Code §§ 8-1-2-42(g)(3)(C) and -42.3) shall be $8,760,160. (See Appendix A, page 3 of 3). This represents a return of approximately 7.20% on an original cost rate base of $121,668,882. The parties agree, solely for purposes of settlement and compromise, that this represents a reasonable return on the Company's investment in used and useful property, plant and equipment.

Depreciation Rates. Vectren South's current depreciation rates, as originally authorized in Cause No. 39593, and again authorized in Cause No. 40283, shall remain in effect.

2. Pro Forma Adjustments.

All of the agreed upon adjustments are set forth in Appendix C. The OUCC filed testimony contesting a number of the Company's proposed adjustments. The

Company responded in its rebuttal filing. All material issues related to pro forma adjustments that have been resolved in this Stipulation are separately discussed in this section with a reference to the adjustment numbers used in the original direct testimony of Company witness M. Susan Hardwick to allow for review of the filed testimony on these issues, which are also reflected on Appendix C. As set forth below, the parties have agreed to remove the gas cost portion of bad debt expense and unaccounted for gas cost from base rates. These costs have been removed from the revenue requirement and base rates in the rate design process as seen on Appendix C, lines 15 and 33, and as explained further in Settlement Testimony.

Large Customer Revenue. (A04)

In its testimony, the OUCC made an adjustment to pro forma revenue based on disputed facts related to prospective usage by three large customers. On rebuttal, the Company agreed to the OUCC's adjustment with respect to retention of one of these customers, but provided further testimony regarding the reduced usage and revenue of the other two customers. The Company also reflected the revenue impact of the proposed special contract with ALCOA filed in this proceeding. That special contract reflects a negotiated agreement that provides discounted rates in order to avoid a system bypass.

The Stipulation adopts the Company's position on rebuttal which adjusts test year revenue by ($258,414). As part of this agreement, the parties have agreed to accept the pro forma revenue adjustment related to the ALCOA contract. The

ALCOA Settlement, consisting of the special contract, has been submitted to the Commission for approval.

Pipeline Safety Act Costs. (A07, A18, A27)

In its case-in-chief the Company reflected in the base rate revenue requirement both revenues and expenses from its existing Pipeline Safety Adjustment ("PSA"), as well as the amortization and recovery of pipeline safety costs that have been deferred because they exceeded the annual cap applicable to the PSA. As reflected in both the OUCC's testimony and the Company's rebuttal testimony, consistent with the prior settlement agreement in the last Vectren South rate case, the PSA was to undergo a three year review in 2007. The parties have conducted such a review as part of this case and have agreed to (1) eliminate all pipeline safety costs and revenues from base rates (A07, A18 and A27), and (2) provide for the recovery of all deferred costs and prospective costs, subject to a negotiated cap, via the PSA. The modified PSA is described below.

Labor Adjustments. (A10, A11)

The Company adjusted test year long-term and short-term incentive compensation costs to reflect "target" levels of payouts to employees. Target is intended to reflect payment of market compensation to employees as part of their overall compensation. The amount of annual incentives will vary above or below target based on the achievement of pre-established metrics that are used to measure performance; this is why such compensation is deemed to be "at risk." The OUCC testimony reduced these incentive compensation adjustments to reflect projected 2006 below target results under the incentive plans. The Company's rebuttal supported use of target levels for ratemaking purposes and for purposes of settlement the OUCC agreed to the pro forma adjustments.

Training Expense. (A14)

The OUCC's testimony eliminated a $37,088 adjustment related to increased employee time spent in emergency response training. The Company's adjustment reflected an increase in employee time allocated to O&M versus capital projects. For purposes of settlement, the Company has agreed to eliminate the adjustment.

Additional Employees. (A15)

On rebuttal, the Company updated the adjustment to reflect only those additional employees that had been hired as of January, 2007 in response to the OUCC's position that this expense should be updated to reflect only actual hires. As shown in Appendix C, the resulting pro forma adjustment is $135,362, and has been accepted as part of the Stipulation.

Aging Workforce. (A16)

The Company's case-in-chief included costs to hire fitter apprentices, incremental contractor labor to replace experienced retirees while apprentices are trained, training costs and Human Resources (HR) departmental costs to deal with increased levels of work related to incremental recruiting, training and other increased work requirements either directly or indirectly associated with aging workforce issues. The OUCC's testimony agreed to certain apprenticeship and training costs, reduced the contractor costs, and eliminated all HR related costs. On rebuttal, the Company accepted most of the OUCC's reductions, but preserved certain HR costs as being required in the short term to address necessary work requirements. The parties have agreed to the Company's rebuttal position, a pro forma adjustment of $189,994.

Distribution Maintenance. (A19)

The Company's case proposed a number of maintenance programs to improve its facilities and right of way maintenance activities. The OUCC's testimony supported most of these proposed new or expanded programs, but eliminated certain costs related to the programs that were perceived to be redundant with activities in the test year. On rebuttal, the Company agreed to reduce certain program costs, but further established the incremental nature of a majority of the disputed costs. The parties have agreed for purposes of settlement to adopt the Company's rebuttal position. The resulting pro forma adjustment is $600,300. As part of this agreement, the Company shall submit annual detailed reports to the IURC and OUCC regarding the Company's regulator station maintenance program and right of way maintenance activities. These reports will be provided for informational purposes when the Company makes its annual PSA filings. These reports will address, among other things, the number of stations painted and costs incurred, and will also address the miles of right of way cleared and the costs of that activity. Such informational reports will differentiate incremental expenses for these activities from what has historically been spent in these areas. Company officials will be available to answer questions or provide additional relevant information if requested by the Commission or OUCC.

Uncollectible Accounts Expense. (A20)

The Company's case-in-chief based its bad debt expense on a five year historic average percent of revenue (0.74%) while the OUCC proposed the use of a more recent three year historic average percent of revenue (0.60%). On rebuttal, the Company modified its position by recommending the use of 2006 actual results (0.70%).

The Stipulation reflects the parties' agreement on use of 0.65% which represents the average of the OUCC and Company positions. This percentage is also used as the fixed ratio for purposes of recovering gas costs relating to bad debt as discussed below. The resulting pro forma adjustment is ($108,881) after removing the gas cost component from base rates since bad debt gas costs are to be recovered in the GCA as discussed below in section 5.

Property and Risk Insurance. (A28)

The Stipulation reflects agreement on the reduction in this expense due to a reduction in insurance premiums that occurred during the pendency of the case. The resulting pro forma adjustment is ($194,936).

Claims Expense. (A29)

The OUCC's testimony reduced this expense to correct an error in a Company calculation and to reflect a 5 year amortization of a large claim in lieu of the Company's use of a 3 year amortization period. The Settlement adopts the OUCC testimonial position which results in a pro forma adjustment of ($292,747).

Asset Management (AMT) Costs and Savings. (A32, A33)

The Company's case-in-chief reflected Asset Management Transformation (AMT) project implementation costs, as well as projected savings in 2007. In this initial time period, AMT costs exceeded the savings. The OUCC's testimony increased the savings attributable to AMT, and eliminated some of the proposed costs. The settlement reflects the agreement to eliminate both costs and savings from the case based on the fact that both projections, at this early stage of the project, are somewhat speculative.

Customer Service Costs. (New)

In response to concerns expressed at the public field hearing and following an extended collaboration between the Company and the OUCC, a number of customer payment method options and complaint handling options were considered. The OUCC and Company have agreed to implement three new customer service options: (1) the installation in the City of Evansville of a centrally located payment kiosk where, with no fee, customers can deposit cash payments in a programmed machine; (2) new payment sites in Evansville and Mt. Vernon where customers can pay gas bills at locations where water bill payments are currently collected; and, (3) dedication of 1-2 new employees who will be trained to meet with customers to discuss complaints, thereby providing customers with the opportunity to engage in face to face communication with the Company. Vectren customers will be notified of these options through bill inserts. The cost of these new services, on an allocated basis to Vectren South Gas, is $77,000. This becomes a new adjustment and is set forth on Appendix C, line 50.

Asset Charge. (A35)

As reflected in testimony, the parties have agreed on the calculation methodology used to determine this cost (see Pet. Ex. No. MSH-3, Adjustment 35). The calculation using the agreed upon 10.15% ROE has been performed and is reflected in Appendix C.

Income Taxes, IURT Taxes (A37, A38 and A39)

There are no differences between the parties on these items which have been determined based upon the settlement amounts in this case.

3. Return on Equity (ROE) Test.

The Company has agreed to withdraw its request to replace the statutory net operating income (NOI) Test with an ROE test. The existing statutory NOI test and earnings bank calculations shall be applicable to the Company.

4. Unaccounted For Gas Costs.

The Company will be authorized to recover in its Gas Cost Adjustment ("GCA") the actual cost of unaccounted for gas ("UAFG") volumes, up to a maximum UAFG percentage of 1.2% of volumes available on the Company's system, as reflected in the GCA. No UAFG costs will be included in base rates. This methodology removes the risk of over recovery of gas costs from sales customers, and ensures that customers are not at risk for increasing UAFG volumes. Transportation customers (including School Suppliers and Pool Operators) will continue to provide retained gas volumes to the Company subject to the terms and the percentage set forth in Appendix F of the Tariff.

UAFG costs will be estimated in the GCA at a level of 1.2%. The actual UAFG percentage will be determined annually, for the twelve months ending August 31. If the actual annual UAFG percentage is less than or equal to 1.2%, then all actual UAFG costs will be recoverable. If the actual annual UAFG percentage exceeds 1.2%, then UAFG costs recoverable will be determined as 1.2% of actual commodity costs incurred during the twelve month period. UAFG costs recovered and recoverable will be reconciled annually in the GCA which reconciles August gas costs. The OUCC and the Company will review this UAFG cost recovery methodology after (3) years. Either the OUCC or the Company may propose changes to the methodology at that time, which, if accepted by the Commission, would be effective prospectively.

5. Bad Debt Gas Costs.

The Company will be authorized to recover in its GCA the gas cost component of bad debt expense at a fixed bad debt ratio of 0.65%. No gas costs associated with bad debt expense will be included in base rates. The margin (i.e. non gas cost) component of bad debt expense will remain embedded in base rates at the same ratio of 0.65%. This methodology provides an incentive for the Company to continue to diligently manage its bad debt expense, while ensuring that customers pay bad debt gas costs at the fixed ratio of 0.65%.

Bad debt gas costs will be estimated in the GCA at a level of 0.65% of total (demand plus commodity, inclusive of UAFG) gas costs. In each quarterly GCA, actual recoverable gas costs (again, inclusive of demand, commodity and UAFG) will be multiplied by the fixed bad debt ratio of 0.65%, resulting in "recoverable bad debt gas costs". Actual bad debt gas cost recoveries and recoverable bad debt gas costs will be reconciled in each GCA. The OUCC and the Company will review this bad debt gas cost recovery methodology after three (3) years. The OUCC and/or the Company may propose changes to the methodology at that time, which, if accepted by the Commission, would be effective prospectively.

6. Pipeline Safety Adjustment.

The parties have agreed that the Company will be authorized to continue to recover incremental expenses caused by the requirements of the Pipeline Safety Improvement Act of 2002 via its PSA. The parties have reviewed the issues and have agreed that the terms of the PSA shall be modified as follows:

a.) Deferred expenses eligible for inclusion in each annual PSA filing will be capped at one million dollars ($1,000,000).

b.) Incremental deferred expenses above the $1.0 Million annual cap may be included in subsequent annual PSA filings, without carrying costs, up to the amount of the annual cap. Amounts above the cap will be deferred and be eligible for future rate case or PSA recovery.

c.) Any deferred balance existing at March 31, 2007 will be amortized over a 3-year period within the PSA, without carrying costs. This amortized amount will be considered incremental to the $1.0 Million annual cap (i.e. the amortized amount does not count toward expenses that are deferred in each 12-month period that may be recovered under the cap). The amortized amount will be removed from the PSA at the end of the 3-year period.

d.) In each annual PSA filing, recoveries will be reconciled with recoverable costs. Recovery variances will be included in subsequent annual PSA filings. Such variances will also be considered incremental to the $1.0 million annual cap (i.e. variances do not count toward expenses that may be recovered under the cap).

e.) Rate schedule margins as updated in this Cause shall be used as the basis for allocating eligible deferred expenses in future annual PSA filings.

f.) The PSA will continue through the annual PSA filing for the twelve months ended March 31, 2010. At that time, the parties will review the PSA to consider the appropriateness of the annual cap, whether the PSA should continue, whether expenses have levelized sufficiently to be included in base rates, and any other related matters.

All other provisions of the Stipulation and Settlement Agreement, and Commission Order, in Cause No. 42596, as related to the PSA shall remain in effect. Vectren South's recovery of costs under this section of the Stipulation will be done on an interim, subject to refund basis, until both the OUCC and IURC have had a reasonable opportunity to review the results of the pending compliance review conducted by the Department of Transportation (DOT). A final report documenting the findings of this DOT review is anticipated in Spring 2007. To the extent that report makes findings regarding the reasonableness of the costs Vectren South has incurred to date to comply with the Pipeline Safety Improvement Act, the OUCC and the Company reserve their rights to file their respective positions on the impact on cost recovery with the Commission, after they have met and reviewed the report and have attempted to reach agreement on any cost recovery issues.

7. Distribution Replacement Program.

The parties have agreed that the Company shall be authorized to continue to accrue allowance for funds used during construction (AFUDC) and to defer the accrual of depreciation expense after the in-service date of distribution system infrastructure projects installed pursuant to Vectren South's accelerated bare steel and cast iron pipeline replacement program (Program) on the terms described herein. Investments made pursuant to the Program shall be accounted for as separate, specifically described projects, following current project accounting practices at Vectren South. The amount of investments made that are eligible for post-in service AFUDC and deferred depreciation treatment (Accounting Treatment) shall be limited to $3.0 Million per year. Prior to initiating the Program, the Company shall provide notice to the Commission and the OUCC of the date on which the Program will commence. The Accounting Treatment shall terminate for each project after three years from the project's in-service date, unless Vectren South has filed a base rate proceeding before the end of the specific project's three year Accounting Treatment period. If Vectren South does file a base rate proceeding by such date, the Accounting Treatment shall continue for those projects (and investments in any subsequent projects that are included in rate base in that proceeding) until the date of a final order in that proceeding. The AFUDC earnings from the Accounting Treatment will be treated as below-the-line income for purposes of the GCA earnings test consistent with normal accounting procedures for AFUDC. Vectren South will file with the Commission and serve on the OUCC annual informational reports regarding the status of the Program and the investments made pursuant thereto in conjunction with its annual PSA filings.

8. Tariff.

The Tariff for Gas Service, I.U.R.C. No. G-11, to be filed herein with the supporting Settlement Testimony, shall be approved, authorized, and accepted for filing by the Commission to be effective upon its approval by the Commission.

This Tariff shall replace the gas tariff of the Company currently on file with the Commission. The new Tariff, as filed in the Case-in-Chief, includes various provisions including the following:

- New Rate 145. A new Rate Schedule, Rate 145, General Transportation Service, applicable to any non-residential customer whose annual usage is greater than or equal to 50,000 therms and less than 500,000 therms, and having a maximum daily usage of less than 15,000 therms. These customers are currently served under Rate 120 as transportation customers.

- Rate 120 Contract Provisions. A new requirement that customers served under Rate 120, General Sales Service using more than 250,000 therms annually enter into a written contract which specifies customer's hourly and daily maximum gas requirements.

- Interim Supply Service. A new provision, under new Rate 145 and existing Rate 160, under which Company may provide Interim Supply Service in the event a customer is temporarily unable to obtain gas supply from a supplier or pool operator.

- Demand Allocators. Elimination of GCA demand allocators, resulting in the same GCA for Residential (Rate 110) and General (Rate 120) Sales customers.

- Other Charges. Increases to certain Other Charges in Appendix C, including:
  - Reconnect Charge (to $55.00)
  - After Hours Charge (to $45.00)
  - Insufficient Funds Check Charge (to $25.00)
  - Fraudulent or Unapproved Use of Gas minimum charge (to $65.00)
- Unaccounted For Gas Percentage. A change, in Appendix F, to reset the unaccounted for gas percentage applicable to transportation customers, school suppliers and pool operators to 1.2%.
- Energy Efficiency Rider. Implementation of the Sales Reconciliation Component, along with the Energy Efficiency Funding Component as filed in this proceeding.
- Economic Development Riders. Two (2) new economic development riders. Rider ED, Economic Development Rider, and Rider AD, Area Development Rider.
- Other Tariff Provisions. All other changes to the Tariff for Gas Service set forth in the agreed upon form of the tariff shall be approved and authorized.

9. Request for Prompt Approval by the Commission.

The parties acknowledge that a significant motivation for the Company to enter into the Settlement is the expectation that an order will be issued promptly by the Commission authorizing increases in its rates and charges. The parties have spent many months reviewing data and negotiating this Settlement in an effort to eliminate time consuming and costly litigation. The resulting Settlement has reduced the Company's filed request for a rate increase and modified its other requested cost recovery mechanisms. Under these circumstances, the parties ask that their request for prompt approval be seriously considered and acted upon.

10. Stipulation Effect, Scope and Approval.

The parties acknowledge and agree as follows:

(a) The Stipulation is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to any party. Each term of the Stipulation is in consideration and support of each and every other term.

(b) The Stipulation is the result of compromise in the settlement process and neither the making of the Stipulation nor any of its provisions shall constitute an admission or waiver by any party in any other proceeding. The Stipulation shall not be used as precedent in any other proceeding or for any other purpose except to the extent provided for herein or to the extent necessary to implement or enforce its terms.

(c) The evidence to be submitted in support of the Stipulation constitutes substantial evidence sufficient to support the Stipulation and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Stipulation.

(d) The communications and discussions and materials produced and exchanged during the negotiation of the Stipulation relate to offers of settlement and shall be privileged and confidential.

(e) The undersigned represent and agreed that they are fully authorized to execute the Stipulation on behalf of their designated clients who will be bound thereby.

(f) The parties will either support or not oppose on rehearing, reconsideration and/or appeal, an IURC Order accepting and approving this stipulation in accordance with its terms.

ACCEPTED and AGREED this 15th day of March, 2007.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

By: ______________________

VECTREN ENERGY DELIVERY OF INDIANA, INC. a/k/a SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By: ______________________

AK STEEL, INC.

By: ______________________

(c) The evidence to be submitted in support of the Stipulation constitutes substantial evidence sufficient to support the Stipulation and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Stipulation.

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ACCEPTED and AGREED this 15th day of March, 2007.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR	VECTREN ENERGY DELIVERY OF INDIANA, INC. a/k/a SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
By: ______________________	By: ______________________

AK STEEL, INC.

By: David B. Boehm

VECTREN SOUTH
GAS TARIFF
ACTUAL AND PRO FORMA STATEMENT OF OPERATING INCOME
FOR THE TWELVE MONTH PERIOD ENDING MARCH 31, 2006

Line No.	Description	Actual Per Books	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Current Rates	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Proposed Rates
	A	B	C	D	E	F	G	H
	Operating Revenues							
1	Gas Revenue	$ 148,992,417			$ 154,899,651	5,334,907	A41	160,234,558
2	Normal Weather		$ 7,376,767	A01				
3	Annualized Days of Service		$ (171,184)	A02				
4	Customer Count		$ (129,238)	A03				
5	Large Customer Changes		$ (258,414)	A04				
6	Customer Migration		$ 1,702	A05				
7	Unbilled Revenue		$ 456,911	A06				
8	Pipeline Safety Act Cost Recovery		$ -	A07				
9	Cost of Gas		$ (1,369,310)	A08				
10								
11	Total	$ 148,992,417	$ 5,907,234		$ 154,899,651	5,334,907		160,234,558
12	**Cost of Gas**	112,708,759			$ 117,558,782			117,558,782
13	Normal Weather		$ 7,339,616	A01				
14	Annualized Days of Service		$ (153,504)	A02				
15	Customer Count		$ (120,862)	A03				
16	Cost of Gas		$ (2,215,227)	A08				
17								
18		112,708,759	4,850,023		117,558,782	-		117,558,782
19	Gross Margin	$ 36,283,658	$ 1,057,211		$ 37,340,869	$ 5,334,907		$ 42,675,776
	Operation and Maintenance Expenses							
20	Operations and Maintenance Expenses	$ 16,778,238			$ 17,638,865			17,679,410
21	**Labor and Labor Related Costs**							
22	Labor Adjustments for Existing Headcount		$ 143,755	A09				
23	Labor-Related Costs		$ 187,046	A10				
24	Other Compensation		$ 17,518	A11				
25	Pension Expense		$ 47,152	A12				
26	Postretirement Medical Expense		$ (69,653)	A13				
27	Training Expense		$ -	A14				
28	Additional Employees		$ 135,362	A15				
29	**Aging Workforce Related Costs**							
30	Aging Workforce		$ 189,994	A16				
31	**Operation and Maintenance Programs**							
32	Manufactured Gas Plant Expense		$ (316,500)	A17				
33	Pipeline Safety Act Costs		$ -	A18				
34	Distribution Maintenance		$ 600,300	A19				
35	Uncollectible Accounts Expense		$ (108,881)	A20				
36	Meter Reading Costs		$ 24,066	A21				
37	Contact Center Costs		$ 118,466	A22				
38	Sales and Marketing Costs		$ 71,735	A23				
39	Miscellaneous Billing Costs		$ 15,627	A24				
40	Information Technology Costs		$ 76,141	A25				
41	**Amortization of Deferrals**							
42	Rate Case Expense		$ 43,615	A26				
43	Pipeline Safety Act Costs Amortization		$ -	A27				
44	**Other Costs/Adjustments**							
45	Property and Risk Insurance		$ (194,936)	A28				
46	Claims Expense		$ (292,747)	A29				
47	Other Cost Reductions		$ (33,227)	A30				
48	Changes in Cost Allocations		$ 28,011	A31				
49	Asset Management Program Costs		$ -	A32				
50	Asset Management Program Savings		$ -	A33				
51	Pro Forma Level Uncollectible Accounts					34,677	A42	
52	IURC Fee		$ 100,784	A34		5,868	A43	
53	Customer Service Costs		$ 77,000					
54								
55		$ 16,778,238	$ 860,628		$ 17,638,865	40,545		17,679,410
56	Asset Charge	3,306,657	$ 6,793	A35	$ 3,313,450			3,313,450
57	Total Operations and Maintenance	$ 20,084,895	$ 867,421		$ 20,952,316	$ 40,545		$ 20,992,861

VECTREN SOUTH
GAS TARIFF
ACTUAL AND PRO FORMA STATEMENT OF OPERATING INCOME
FOR THE TWELVE MONTH PERIOD ENDING MARCH 31, 2006

Line No.	Description	Actual Per Books	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Current Rates	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Proposed Rates
	A	B	C	D	E	F	G	H
58	Depreciation and Amortization	$ 5,351,597	$ 192,508	A36	$ 5,544,105			5,544,105
	Taxes							
59	Income Taxes (Federal and State)	$ 2,417,982	$ (436,917)	A37	$ 2,127,341	450,021	A44	4,246,740
60			$ 146,276	A38		1,669,378	A45	
61	Other Taxes (IURT and Property Tax)	3,043,990	$ 126,118	A39	$ 3,057,221	74,689	A46	3,131,910
62			$ (112,887)	A40				
63	Total Taxes	$ 5,461,972	$ (277,410)		$ 5,184,562	2,194,088		7,378,650
64	Total Operating Expenses	$ 30,898,464	$ 782,519		$ 31,680,983	$ 2,234,633		$ 33,915,616
65	Net Operating Income	$ 5,385,194	$ 274,692		$ 5,659,886	3,100,274		8,760,160

VECTREN SOUTH
GAS TARIFF
Calculation of Proposed Revenue Increase
Based on Pro Forma Operating Results
Original Cost Rate Base at October 31, 2006

Revenue Increase Based on Net Original Cost Rate Base

Line No.			
1	Net Original Cost Rate Base	$	121,668,882
2	Rate of Return		7.20%
3	Required Net Operating Income (Line 1 x Line 2)		8,760,160
4	Pro Forma Net Operating Income		5,659,886
5	Increase in Net Operating Income		3,100,274
6	Effective Incremental Revenue/NOI Conversion Factor		58.1%
7	Increase in Revenue Requirement (Based on Net Original Cost Rate Base) (Line 5/Line 6)	$	5,334,907

8	One		1.000000			
9	Less: IURC Fee		0.001100			
10	Less: Indiana Utility Receipts Tax		0.014000			
11	Less: Bad Debt		0.006500			
12	One Less Bad Debt, IURC Fee and IURT			0.978400		
13	One	1.000000				
14	Less: IURC Fee	0.001100				
15	Less: Bad Debt	0.006500				
16	Taxable Adjusted Gross Income Tax		0.992400			
17	Adjusted Gross Income Tax Rate		0.085000			
18	Adjusted Gross Income Tax			0.084354		
19	Line 12 less line 18				0.894046	
20	One			1.000000		
21	Less: Federal Income Tax Rate			0.350000		
22	One Less Federal Income Tax Rate				0.650000	
23	Effective Incremental Revenue/NOI Conversion Factor (line 19 times line 22)					58.1%

VECTREN SOUTH
GAS TARIFF
Statement of Gas Property
Original Cost Ratebase at October 31, 2006

Line No.	Activity (FERC) No.	Description	Gas Plant Per Books at October 31, 2006	Adjustments and Eliminations	As Adjusted Pro Forma Rate Base at October 31, 2006
		Utility Plant			
1	101	In Service - Unitized	$ 179,386,935	$ -	$ 179,386,935
2	105	Property Held for Future Use	-	-	-
3	106	Completed Const. Not Classified	16,433,703	-	16,433,703
4	107	Const. Work in Progress	2,130,805	(2,130,805)	-
5		Gross Utility Plant	$ 197,951,443	$ (2,130,805)	$ 195,820,638
		Accumulated Depreciation			
6	108	Utility Plant	$ (82,745,039)	$ -	$ (82,745,039)
7		Net Utility Plant (Line 5 + Line 6)	$ 115,206,404	$ (2,130,805)	$ 113,075,599
		Material & Supplies [(A)]			
8	154	Utility Material & Supplies	$ 701,872	$ -	$ 701,872
9	163	Stores Expense	344,654	-	344,654
10	164	Gas in Underground Storage	7,546,757	-	7,546,757
11		Total Material & Supplies	$ 8,593,283	$ -	$ 8,593,283
12		**Total Rate Base (Line 7 + Line 11)**	**$ 123,799,687**	**$ (2,130,805)**	**$ 121,668,882**

[(A)] Based on a 13 month average ending 10/31/06.

VECTREN SOUTH
GAS TARIFF
Capital Structure and Cost of Capital
Twelve months ending March 31, 2006

Line No.	Type of Capital	Amount ($000's)	Percent	Cost	WCOC
1	**Long-Term Debt**				
2	Publicly Held	$ 228,165	19.54%		
3	Notes to VUHI	223,182	19.11%		
4	Total Long-Term Debt	$ 451,347	38.65%	6.04%	2.33%
5	**Common Equity**				
6	Common Stock	$ 273,263	23.40%		
7	Retained Earnings	274,999	23.55%		
8	Accumulated Comprehensive Income	1,246	0.11%		
9	Common Shareholder's Equity	$ 549,508	47.05%	10.15%	4.78%
10	**Investor Provided Capital**	1,000,855	85.70%		7.11%
11	**Customer Deposits**	5,601	0.48%	5.39%	0.03%
12	**Cost Free Capital:**				
13	Deferred Income Taxes	$ 138,730	11.88%		
14	Customer Advances for Construction	2,211	0.19%		
15	SFAS 106	11,536	0.99%		
16	Total Cost Free Capital	$ 152,477	13.06%	0.00%	0.00%
17	**Job Development Investment Tax Credit (Post-1971)**	$ 8,920	0.76%	8.30%	0.06%
18	**Total Capitalization**	$ 1,167,853	100.00%		
19	**Rate of Return**				7.20%

Investor Provided Capital

Line No.	Type of Capital	Amount ($000's)	Percent	Cost	WCOC
20	Long-Term Debt	$ 451,347	45.10%	6.04%	2.72%
21	Common Equity	549,508	54.90%	10.15%	5.57%
22	Total Capitalization	$ 1,000,855	100.00%		8.30%

Interest Synchronization

Line No.		Percent	Cost	Weighted Cost
23	Long-term Debt	38.65%	6.04%	2.33%
24	Customer Deposits	0.48%	5.39%	0.03%
25	Interest Component of ITC	0.76%	6.04%	0.05%
26	Total			2.41%
27	Original Cost Rate Base			$ 121,668,882
28	Synchronized Interest Expense			$ 2,932,220

VECTREN SOUTH
GAS TARIFF
SETTLEMENT SCHEDULE OF PRO FORMA ADJUSTMENTS

Description	AS FILED Pro Forma Adjustments Increases (Decreases)	Ref	OUCC FILED Pro Forma Adjustments Increases (Decreases)	REBUTTAL FILED Pro Forma Adjustments Increases (Decreases)	SETTLEMENT Pro Forma Adjustments Increases (Decreases)	Line No.
A	B	C	D	E	F	
Operating Revenues						
Normal Weather	$ 7,376,767	A01	$ 7,376,767	$ 7,376,767	$ 7,376,767	1
Annualized Days of Service	$ (171,184)	A02	$ (171,184)	$ (171,184)	$ (171,184)	2
Customer Count	$ (129,238)	A03	$ (129,238)	$ (129,238)	$ (129,238)	3
Large Customer Changes	$ (234,719)	A04	$ 20,812	$ (258,510)	$ (258,414)	4
Customer Migration	$ 1,702	A05	$ 1,702	$ 1,702	$ 1,702	5
Unbilled Revenue	$ 456,911	A06	$ 456,911	$ 456,911	$ 456,911	6
Pipeline Safety Act Cost Recovery	$ 110,866	A07	$ -	$ -	$ -	7
Cost of Gas	$ (1,369,310)	A08	$ (1,369,310)	$ (1,369,310)	$ (1,369,310)	8
						9
Total	$ 6,041,795		$ 6,186,460	$ 5,907,138	$ 5,907,234	10
Cost of Gas						11
Normal Weather	$ 7,339,616	A01	$ 7,339,616	$ 7,339,616	$ 7,339,616	12
Annualized Days of Service	$ (153,504)	A02	$ (153,504)	$ (153,504)	$ (153,504)	13
Customer Count	$ (120,862)	A03	$ (120,862)	$ (120,862)	$ (120,862)	14
Cost of Gas	$ (780,450)	A08	$ (780,450)	$ (780,450)	$ (2,215,227)	15
						16
	$ 6,284,800		$ 6,284,800	$ 6,284,800	$ 4,850,023	17
Gross Margin	$ (243,005)		$ (98,340)	$ (377,662)	$ 1,057,211	18
Operation and Maintenance Expenses						
Labor and Labor Related Costs						19
Labor Adjustments for Existing Headcount	$ 143,755	A09	$ 139,782	$ 143,755	$ 143,755	20
Labor-Related Costs	$ 187,046	A10	$ 38,754	$ 187,046	$ 187,046	21
Other Compensation	$ 17,518	A11	$ (127,851)	$ 17,518	$ 17,518	22
Pension Expense	$ 47,152	A12	$ 47,152	$ 47,152	$ 47,152	23
Postretirement Medical Expense	$ (69,653)	A13	$ (69,653)	$ (69,653)	$ (69,653)	24
Training Expense	$ 37,088	A14	$ -	$ 37,088	$ -	25
Additional Employees	$ 213,932	A15	$ 44,800	$ 135,362	$ 135,362	26
Aging Workforce Related Costs						27
Aging Workforce	$ 430,411	A16	$ 134,465	$ 189,994	$ 189,994	28
Operation and Maintenance Programs						29
Manufactured Gas Plant Expense	$ (316,500)	A17	$ (316,500)	$ (316,500)	$ (316,500)	30
Pipeline Safety Act Costs	$ 109,335	A18	$ -	$ -	$ -	31
Distribution Maintenance	$ 636,600	A19	$ 326,627	$ 600,300	$ 600,300	32
Uncollectible Accounts Expense	$ 804,982	A20	$ 588,802	$ 742,026	$ (108,881)	33
Meter Reading Costs	$ 26,001	A21	$ 24,066	$ 26,001	$ 24,066	34
Contact Center Costs	$ 118,466	A22	$ 118,466	$ 118,466	$ 118,466	35
Sales and Marketing Costs	$ 71,735	A23	$ 71,735	$ 71,735	$ 71,735	36
Miscellaneous Billing Costs	$ 15,627	A24	$ 15,627	$ 15,627	$ 15,627	37
Information Technology Costs	$ 76,141	A25	$ 76,141	$ 76,141	$ 76,141	38
Amortization of Deferrals						39
Rate Case Expense	$ 43,615	A26	$ 43,615	$ 43,615	$ 43,615	40
Pipeline Safety Act Costs Amortization	$ 531,886	A27	$ -	$ -	$ -	41
Other Costs/Adjustments						42
Property and Risk Insurance	$ (112,105)	A28	$ (202,252)	$ (194,936)	$ (194,936)	43
Claims Expense	$ 25,388	A29	$ (292,747)	$ (141,279)	$ (292,747)	44
Other Cost Reductions	$ (33,227)	A30	$ (33,227)	$ (33,227)	$ (33,227)	45
Changes in Cost Allocations	$ 28,011	A31	$ 28,011	$ 28,011	$ 28,011	46
Asset Management Program Costs	$ 78,131	A32	$ 24,918	$ 71,789	$ -	47
Asset Management Program Savings	$ (18,599)	A33	$ (94,581)	$ (48,299)	$ -	48
Pro Forma Level Uncollectible Accounts						51
IURC Fee	$ 100,932	A34	$ 100,932	$ 100,784	$ 100,784	49
Customer Service Costs	$ -	New	$ -	$ -	$ 77,000	50
						51
Total Operations and Maintenance before Asset Charge	$ 3,193,668		$ 687,082	$ 1,848,516	$ 860,628	52
Asset Charge	$ 168,475	A35	$ (106,936)	$ 168,475	$ 6,793	53
Total Operations and Maintenance	$ 3,362,143		$ 580,146	$ 2,016,991	$ 867,421	54
Depreciation and Amortization	$ 192,508	A36	$ 192,508	$ 192,508	$ 192,508	55
Taxes						
Income Taxes (Federal and State)	$ (752,955)	A37	$ (511,048)	(656,595)	$ (436,917)	56
	$ (1,044,415)	A38	$ (132,996)	(681,012)	$ 146,276	57
Other Taxes (IURT and Property Tax)	$ 126,036	A39	$ 129,893	125,033	$ 126,118	58
	$ (112,887)	A40	$ (112,887)	(112,887)	$ (112,887)	59
Total Taxes	$ (1,784,221)		$ (627,038)	$ (1,325,461)	$ (277,410)	60
Total Operating Expenses	$ 1,770,430		$ 145,616	$ 884,038	$ 782,519	61
Total of All Pro Forma Adjustments (Line 18 - Line 61)	$ (2,013,435)		$ (243,956)	$ (1,261,700)	$ 274,692	62

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Stipulation and Settlement Service was served by depositing a copy thereof in the United States mail, first class postage prepaid, addressed to:

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this 15th day of March, 2007.

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